

EXCLUSIVE NEGOTIATING RIGHTS AGREEMENT

155-165 Grove and 240 Van Ness; San Francisco, CA

This Exclusive Negotiating Rights Agreement (the "**Agreement**") is entered into as of November 30, 2019 (the "**Effective Date**"), by and between the City and County of San Francisco, a municipal corporation, acting by and through the Director of Property (the "**City**") and Mercy Housing California, a California non-profit public benefit corporation (the "**Developer**"), on the basis of the following facts. The City and the Developer are each sometimes referred to herein as a "Party" and collectively as the "Parties".

RECITALS

- A. The City is the owner of the following property:
155 Grove, 165 Grove and 240 Van Ness, further described in the attached Exhibit "A", collectively the "Site" or the "Project".
- B. In November, 2017, City issued a Request for Qualifications and Request for Proposals ("**RFQ/RFP**") for development of the Site as a net-zero energy opportunity project, and initial expressions of interest were due May 31, 2018. The RFQ/RFP provided that the successful respondent would be afforded the opportunity to develop the Site if the City, in its sole discretion, agreed to the terms and conditions of such a development. The Developer's proposal assumed that Developer would (i) enter into a long-term ground lease with the City for the Site, (ii) construct certain Improvements on the Site, and (iii) leverage private and public financing and private fundraising to build and maintain the Improvements on the Site.
- C. The Parties anticipate that the proposed development project on the Site (the "**Project**"), if approved, will be developed over several years under a ground lease from the City.
- D. The Developer intends to seek financing for the Project from sources that may include, without limitation, proceeds from the issuance of tax-exempt bonds and private investment through the low-income housing tax credits program, private fundraising, State Housing and Community Development programs such as the Infill Infrastructure Grant Program and Multifamily Housing Program, State Department of Developmental Services, and Federal Home Loan Bank Affordable Housing Program. In addition to the sources listed above, the Parties recognize that the Developer may choose to request local funds to assist in entitling or developing the site. The Parties recognize and acknowledge that a full determination of the feasibility of the Project has not occurred and that further analysis of the feasibility of the Project is required, including with respect to the proposed funding sources, ownership structure, federal and state environmental requirements, and other governmental approval requirements.
- E. Under this Agreement, the Parties intend to negotiate the terms and conditions of a ground lease for the Site and permitted development of the Site, subject to the Developer's satisfaction of specified milestones. The purpose of this Agreement is to establish the procedures and standards for the negotiation by the City and the Developer of the ground lease and related Project documents (collectively, the "**Ground Lease**"), pursuant to which, among

other matters, if specified preconditions are satisfied: (i) the City will lease the Site to the Developer and convey the existing improvements on the Site to the Developer, and (ii) the Developer will develop and maintain the Site under terms and conditions generally consistent with Developer's response to the City-issued RFQ/RFP. As more fully set forth below, the Developer acknowledges and agrees that this Agreement in itself does not obligate either Party to acquire or convey any property, does not grant the Developer the right to develop the Site, and does not guarantee that the Ground Lease will be successfully negotiated or approved.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties agree as follows:

ARTICLE 1 EXCLUSIVE NEGOTIATION RIGHTS

Section 1.1 Recitals. The above Recitals are hereby expressly incorporated herein and made a part of this Agreement by this reference.

Section 1.2 Good Faith Negotiations. During the Negotiating Period, the City and the Developer shall negotiate diligently and in good faith the terms of the Ground Lease and the Project. Among the issues to be addressed in the negotiations are the physical and land title conditions of the Site, remediation of any adverse hazardous materials conditions, the development schedule for the Site, the general financing contemplated for development of the Site, and design considerations for the Site. For any outstanding issues at the end of the Negotiating Period, as defined in Section 1.3 below, the Parties will mutually agree how such issues will be resolved in the Ground Lease.

The Parties acknowledge and agree that the following business points have been agreed upon and forms the basis for further negotiations:

- (a) The Ground Lease shall have a term of seventy-five (75) years, with a twenty-four (24) year extension option.
- (b) The annual ground lease payment payable from Developer to City for the Project is fifteen thousand dollars (\$15,000) ("**Lease Payment**"). The Lease Payment shall be payable in the manner as set forth in the Ground Lease, which may include an adjustment during the option extension period.
- (c) The Developer shall seek entitlements for the Project that will facilitate construction of approximately 102 units of affordable housing, as conceptually outlined in Exhibit B (the "**Concept Development Plan**").
- (d) If Developer and City mutually agree in their reasonable discretion that an option to ground lease is required for any Project funding applications, Developer and City agree that they shall negotiate in good faith a form of option to ground lease that will 1) Incorporate these terms as well as any other mutually agreed upon Ground Lease terms; 2) Have an option term no greater than the Negotiating Period (with applicable Extension Period); and 3) Remain subject to approval by the Board of Supervisors and Mayor, in their sole and separate discretion.

Section 1.3 Negotiating Period.

(a) The Negotiating Period under this Agreement (the "**Negotiating Period**") shall be for a period of forty-five (45) months, and shall commence as of the Effective Date and shall expire at 5:00 p.m. Pacific Time on the date which is forty-five (45) months thereafter, unless earlier terminated pursuant to this Agreement. The Negotiating Period may be extended at the request of the Developer for up to three (3) successive periods of ninety (90) days each (each "**Extension Period**"), provided that the Developer delivers a written request for such extension prior to expiration of the Negotiating Period or applicable Extension Period, and provided further that the Developer is not then in default under this Agreement.

(b) If the final Ground Lease has not been approved by the Board of Supervisors and Mayor by the end of the Negotiating Period (as the Negotiating Period may be extended), then this Agreement shall terminate and neither Party shall have any further rights or obligations under this Agreement. If a Ground Lease is executed by the Parties, then upon such execution, this Agreement shall terminate, and all rights and obligations of the Parties for the Site shall be as set forth in the executed Ground Lease.

Section 1.4 Early Termination by City. The City may terminate this Agreement during the Negotiating Period by delivering written notice to the Developer upon the occurrence of any of the following:

(i) If, after sixty (60) days written notice from City, the Developer has failed to perform any material obligation under this Agreement, including failure to meet a milestone in the Schedule of Performance (a "**Performance Default**"); provided, however, that if Developer's Performance Default cannot reasonably be cured within sixty (60) days, Developer shall not be in default of this Agreement and City shall not have the right to terminate this Agreement if Developer diligently and in good faith begins to cure the Performance Default during the 60 day period and diligently prosecutes the same to completion, provided further that, in no event shall the Term of this Agreement extend beyond the Negotiating Period (or applicable Extension Period) without the prior written consent of the Director of Property.

(ii) Any attempted assignment of this Agreement, or any dissolution, merger, consolidation or other reorganization of Developer, without the prior consent of the City, as set forth in Section 3.9.

(iii) The appointment of a receiver to take possession of all or substantially all of the assets of Developer, or an assignment by Developer for the benefit of creditors, or any action taken or suffered by Developer under any insolvency, bankruptcy, reorganization, moratorium or other debtor relief act or statute, whether now existing or hereafter amended or enacted, if any such receiver, assignment or action is not released, discharged, dismissed or vacated within sixty (60) days.

(iv) If, after sixty (60) days written notice from City that the parties are at an impasse and continued negotiations are not likely to result in a successful Ground Lease or Project, and the City includes in such notice the matters that, in City's reasonable discretion, must be agreed

to by the Developer to continue with this Agreement, the Developer does not agree in writing to use good faith efforts to satisfy the matters contained in the City's notice; provided, the City and Developer agree to meet and confer in good faith during such 60 day period to see if the impasse can be successfully resolved.

Section 1.5 Developer Termination. The Developer may terminate this Agreement, at any time and for any reason by delivery of written notice of termination to City. Upon any such transfer, the Developer agrees to convey to the City, without representation or warranty, all materials and information that the Developer possesses or controls with respect to the Site, including all engineering and other studies, due diligence materials, conceptual and architectural drawings, and the like. The Developer shall have no liability for the truth or accuracy of any such materials but agrees that the City may use any such materials for its own purpose in furtherance of any future development of the Site.

Section 1.6 Exclusive Negotiations. During the Negotiating Period (or applicable Extension Period), the City shall negotiate exclusively, diligently and in good faith with Developer as set forth herein and shall not negotiate with any other person or entity regarding the development of the Site or solicit or entertain bids or proposals to do so, with the exception of any interim uses of the Site that may be entertained by the City, that do not conflict with either the Schedule of Performance, Milestones or physical Site characteristics desired by Developer upon effectiveness of any potential Ground Lease, and which uses shall terminate at least one hundred twenty days prior to the effective date of the Ground Lease. The Director of Property or their designee, working closely with the Planning Department, Mayor's Office of Housing and Community Development and other applicable City Officials, shall act as the lead representative of the City in negotiating the substance of the Ground Lease and the related Project entitlements. The Director of Property shall consult with staff from affected City agencies, as and when required.

ARTICLE 2 NEGOTIATION TASKS

Section 2.1 Overview. To facilitate negotiation of the Ground Lease, the Parties shall use reasonable good faith efforts to accomplish the tasks set forth in this Article 2 in a timeframe that will support negotiation and execution of a mutually acceptable Ground Lease for the Site before the end of the Negotiating Period.

Section 2.2 Ground Lease. During the Negotiating Period, the Parties shall negotiate in good faith the terms of the Ground Lease, consistent with this Agreement, the RFQ/RFP, and any information discovered during the Negotiating Period that is relevant to the Project and the Site or that impacts the likelihood of receiving all required approvals for the Project.

Section 2.3 Schedule of Performance; Milestones.

(a) The Developer shall comply with the following schedule of performance (each, a "milestone") for the development of the Project and as conditions precedent toward effectuating a Ground Lease ("**Schedule of Performance**");

Secure and Close on Pre-Development Funding	February 1, 2020
Submit Project Application to Planning Department	June 1, 2020
Complete Environmental Surveys and Testing	June 1, 2020
Complete Community Planning Process and Stakeholder Meetings	May 1, 2021
Complete Conceptual, Schematic and Design Development Drawings	December 31, 2021
Complete Construction Drawings to 100% CD's	September 1, 2022
Secure Final Map of Site	January 1, 2022
Secure Site Permit Approval	November 1, 2023
Secure all Necessary Private Fundraising Commitments	December 1, 2023

(b) The City's Director of Property may, at his or her reasonable discretion, provide Developer with an extension for a milestone date in the Schedule of Performance. Any extension to the Negotiation Period (beyond the Extension Period) of more than six (6) months will be subject to the City Board of Supervisors and Mayor approval, each in their sole discretion.

Section 2.4 Final Reports. The Developer shall provide the City with copies of all final third party reports, studies, analyses and similar documents commissioned by the Developer with respect to this Agreement and the development of the Site, promptly upon their completion. The Developer makes no representation or warranty and shall have no liability to the City as to the accuracy or reliability of any such materials, but the Developer agrees that the City may use all such materials and information for any purpose.

Section 2.5 Environmental Review.

(a) The Developer shall fund, prepare or shall cause to be prepared all environmental documentation required by California Environmental Quality Act ("CEQA") and/or the National Environmental Policy Act ("NEPA") for the Ground Lease and the Project; provided, however, that nothing in this Agreement shall be construed to compel the City to approve or make any particular finding with respect to such CEQA and/or NEPA documentation submitted. The Developer shall provide such information about the Project as may be required to enable the City to complete any required environmental analysis. The Project ultimately proposed by the Developer shall be subject to a process of thorough public review and input and all necessary and appropriate approvals; that process must include environmental review under CEQA before a City department, commission, or any other City decision-maker may consider approving a project or ground lease; and the Project will require discretionary approvals by a number of government bodies after public hearings and environmental review.

(b) Nothing in this Agreement commits, or shall be deemed to commit, the City or a City official to approve or implement any project, and they may not do so until environmental review of the Project as required has been completed. Accordingly, all references to the "Project" in this Agreement shall mean the proposed project as revised and subject to future environmental review and consideration by the City. The City and any other public agency with jurisdiction over any part of the Project shall have the absolute discretion before approving that project to: (i) make such modifications to the Project as may be necessary to mitigate significant

environmental impacts; (ii) select other feasible alternatives to avoid or substantially reduce significant environmental impacts; (iii) require the implementation of specific measures to mitigate any specific impacts of the Project; (iv) balance the benefits of the Project against any significant environmental impacts before taking final action if such significant impacts cannot otherwise be avoided; and (v) determine whether or not to proceed with the Project.

Section 2.6 Organizational Documents. The Developer shall provide the City with copies of its organizational documents evidencing that the Developer exists and is in good standing to perform its obligations under this Agreement.

Section 2.7 City Utilities. The Developer shall consult with the utility companies serving the Site to determine if existing utility facilities require expansion, relocation or undergrounding in connection with development of the Project. The City (at no additional cost to the City) shall assist and cooperate with the Developer in such consultations.

Section 2.8 Progress Reports. The Developer shall make monthly progress reports advising the City on the studies being made and matters being evaluated by the Developer with respect to this Agreement and the Project. Such progress reports shall be in writing.

ARTICLE 3 GENERAL PROVISIONS

Section 3.1 Limitation of Agreement.

(a) Nothing in this Agreement shall obligate any City department to expend funds or resources in connection with the proposed Ground Lease (other than staff time for negotiations). This Agreement shall not obligate the Developer or the City to enter into any Ground Lease. By execution of this Agreement, neither the City nor the Developer is committing itself to or agreeing to undertake acquisition, disposition, or exercise control over the Site. Execution of this Agreement by the City is merely an agreement to conduct a period of exclusive negotiations in accordance with the terms hereof, reserving for subsequent Board of Supervisor and Mayor action the final discretion and approval regarding the Project and the Ground Lease and all proceedings and decisions in connection therewith. Upon the completion of negotiations for the Ground Lease, if successful, the Director of Property agrees to seek Board and Mayor approval of the Ground Lease and the Project. Any such approval shall be given or denied in the sole discretion of the Board and the Mayor, in accordance with applicable law, and City staff shall not be required to lobby Board members or the Mayor to obtain such approvals or continue seeking approvals following an initial Board action on the Ground Lease and Project.

(b) Any Ground Lease resulting from negotiations shall become effective only if and after it is approved by the City following conduct of all legally required procedures, and executed by duly authorized representatives of the City and the Developer. Until and unless a Ground Lease is signed by the Developer, approved by the City's Board of Supervisors and Mayor, in their sole and separate discretion, and executed by the City, no agreement drafts, actions, deliverables, or communications arising from the performance of this Agreement shall impose any legally binding obligation on the Developer or the City to enter into or support

entering into a Ground Lease or be used as evidence of any oral or implied agreement by the Developer or the City to either into any other legally binding document.

Section 3.2 City Acting as Owner of Real Property. Developer acknowledges and agrees that City is entering into this Agreement in its capacity as a property owner with a proprietary interest in the Premises and not as a regulatory agency with police powers. Nothing in this Agreement shall limit the Developer's obligation to obtain all required regulatory approvals for the Project, including from City departments, boards or commissions as needed. Developer shall be solely responsible for obtaining any and all such regulatory approvals, although Developer shall not seek any regulatory approval from a City agency or department without first obtaining the consent of the Director of Property, which consent will not be unreasonably withheld.

Section 3.3 Notices. Formal notices, demands and communications between the Parties shall be sufficiently given if, and shall not be deemed given unless, dispatched by certified mail, postage prepaid, return receipt requested, or sent by express delivery or overnight courier service, to the office of the Parties shown as follows, or such other address as the Parties may designate in writing from time to time.

City: Director of Property c/o John Updike, Senior Project Manager
25 Van Ness, Suite 400
San Francisco, CA 94102

With copies to: Dennis J. Herrera, City Attorney
City Hall, Rm. 234
1 Dr. Carlton B. Goodlett Pl.
San Francisco, CA 94102
Attn: Real Estate (155 Grove)

Developer: Doug Shoemaker, President
Mercy Housing California
1256 Market Street
San Francisco, CA 94102

With a copy to: Evan Gross, Partner
Gubb & Barshay LLP
505 14th Street, Suite 450
Oakland, CA 94612

Such written notices, demands, and communications shall be effective on the date shown on the delivery receipt as the date delivered, the date on which delivery was refused, or the date the notice was returned as undeliverable.

Section 3.4 Non-Liability of Officials, Employees and Agents. No member, official, employee or agent of the City shall be personally liable to the Developer in the event of any

default or breach of this Agreement by the City, or for any amount which may become due to the Developer or any of its successors in interest. No member, official, employee or agent of the Developer shall be personally liable to the City in the event of any default or breach of this Agreement by the Developer, or for any amount which may become due to the City or any of its successors in interest.

Section 3.5 Waiver of Lis Pendens. It is expressly understood and agreed by the Parties that no lis pendens shall be filed against any portion of the Site with respect to this Agreement or any dispute or act arising from it.

Section 3.6 Access to Site. During the Negotiation Period, the Developer and its agents shall have access to the Site as agreed to between the City and the Developer. The City may require Developer to enter into a separate waiver or permit in connection with any access to the Site.

Section 3.7 Costs and Expenses. Each Party shall be responsible for its own costs and expenses in connection with any activities and negotiations undertaken in connection with this Agreement. Each party shall incur expenses under this Agreement, and it agrees to do so at its sole risk, without any expectation of reimbursement under any circumstance.

Section 3.8 No Commissions. The City shall not be liable for any real estate commissions or brokerage fees that may arise from this Agreement or any Ground Lease that may result from this Agreement. The City represents that it has engaged no broker, agent, or finder in connection with this transaction. The Developer shall defend and hold the City harmless from any claims by any broker, agent, or finder retained by the Developer.

Section 3.9 Assignment. The Parties acknowledge that the City has entered into this Agreement on the basis of the special skills, capabilities, and experience of the Developer. This Agreement is personal to the Developer. The Developer shall not assign this Agreement without the prior written consent of the City; provided, however, that the Developer may assign this Agreement to an affiliate of the Developer, so long as the Developer provides documentation, reasonably acceptable to the City, that such affiliate is directly under the control of the Developer, has the same or greater financial capacity as the Developer, and such affiliate executes an assignment and assumption agreement in a form reasonably acceptable to the City. Any cumulative or aggregate sale, transfer, or hypothecation of more than 50% of the total capital stock or other ownership rights of Developer, shall require the prior written consent of City, provided that City shall not unreasonably withhold its consent to such change in ownership if the day to day management of the Project will not change and the assignee demonstrates substantially the same level of expertise, affordable housing development experience and financial capability as was demonstrated by Developer in its responses to the RFQ/RFP. Upon any permitted assignment hereunder, the assigning party shall automatically without the need for further documentation be released of all of its obligations under this Agreement that are assumed by the assignee under such assignment and assumption agreement. Any attempted assignment or transfer of the Developer's rights under this Agreement that requires the City's prior consent as set forth above, but for which the Developer does not obtain such consent, shall be considered an event of default.

Section 3.10 Default. Failure by any Party to perform its obligations as provided in this Agreement shall constitute an event of default hereunder. The non-defaulting Party shall give written notice of a default to the defaulting Party, specifying the nature of the default and the required action to cure the default. The parties agree to meet and confer in good faith for up to sixty (60) days following the delivery of the notice of default to see if the matter can be resolved. If the matter is not finally resolved within sixty (60) days following deliver of the notice of default, subject to extensions as set forth in Section 1.4 for diligent prosecution of cures that have commenced within the sixty (60) day period, the nondefaulting party may terminate this Agreement.

Section 3.11 Termination Remedy; No Liability. The parties are entering into this Agreement in order to cooperate in negotiating the substance of the Ground Lease and the Project. The parties understand and agree that the City would not be willing to enter into this Agreement if it could result in any liability or cost to the City. In the event of an uncured default by the City or the Developer, following the notice and cure periods set forth above, the non-defaulting Party may terminate this Agreement without cost or liability by delivery of a written notice of termination, which will take effect immediately upon delivery. Termination of this Agreement shall be the sole remedy, provided, however, that Developer shall also have the right to seek an injunction from a court of competent jurisdiction if City breaches its obligation under Section 1.6 with respect to negotiating with, or entertaining bids or proposals from, any other person or entity during the Negotiating Period, as may be extended by an Extension Period. Except as set forth in Section 3.13 (for attorneys' fees and costs), neither party is responsible for any damages to the other party. Each party agrees to proceed at its sole risk, and neither party shall not be entitled to any reimbursement for staff time, lost opportunity, lost profit, or costs incurred, regardless of the nature of the default. This limitation on damages and liability is a material part of this Agreement, and the City would not be willing to enter into this Agreement without this limitation.

Section 3.12 Indemnification. In connection with any access to the Site, the Developer shall indemnify the City as set forth in a separate permit to enter. Any such indemnity or reimbursement obligation shall not be subject to the damages limitations set forth in this Agreement.

Section 3.13 Legal Action.

(a) If any legal action (including any arbitration or mediation proceeding) is commenced to interpret or to enforce the terms of this Agreement or any termination of this Agreement, then the Party prevailing in any such action shall be entitled to recover against the Party not prevailing all reasonable attorneys' fees and costs incurred in such action (and any subsequent action or proceeding to enforce any judgment entered pursuant to an action on this Agreement).

(b) Any lawsuit relating to this Agreement shall be filed in the state court of the City and County of San Francisco or in the federal court with jurisdiction in the City and County of San Francisco.

Section 3.14 Actions by the City. Except as set forth herein to the contrary, all City actions relating to this Agreement and all City approvals or consents (not including any regulatory actions) shall be made by the Director of Property.

Section 3.15 Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State of California.

Section 3.16 Notification of Limitations on Contributions. By executing this Agreement, the Developer acknowledges its obligations under section 1.126 of the City's Campaign and Governmental Conduct Code, which prohibits any person who contracts with, or is seeking a contract with, any department of the City for the rendition of personal services, for the furnishing of any material, supplies or equipment, for the sale or lease of any land or building, for a grant, loan or loan guarantee, or for a development agreement, from making any campaign contribution to (i) a City elected official if the contract must be approved by that official, a board on which that official serves, or the board of a state agency on which an appointee of that official serves, (ii) a candidate for that City elective office, or (iii) a committee controlled by such elected official or a candidate for that office, at any time from the submission of a proposal for the contract until the later of either the termination of negotiations for such contract or twelve months after the date the City approves the contract. The prohibition on contributions applies to each prospective party to the contract; each member of the Developer's board of directors; chairperson, chief executive officer, chief financial officer and chief operating officer; any person with an ownership interest of more than 10% in the Developer; any subcontractor listed in the bid or contract; and any committee that is sponsored or controlled by the Developer. The Developer certifies that it has informed each such person of the limitation on contributions imposed by Section 1.126 by the time it submitted a proposal for the contract, and has provided the names of the persons required to be informed to the City department with whom it is contracting..

Section 3.17 No Joint Liability; No Third Party Beneficiaries. Nothing in this this Agreement shall be construed as giving a party the right or ability to bind other parties and nothing in this this Agreement shall be construed to create any joint liability with regard to, or as a result of, the activities undertaken by any of the parties, their employees, officers and/or agents. All employees, officers and/or agents of a party shall remain employees, officers and/or agents of that party and shall be subject to the laws, procedures, rules and policies governing that party's employees, officers and/or agents. There are no third party beneficiaries of this Agreement.

Section 3.18 Sunshine. The Developer understands and agrees that under the City's Sunshine Ordinance (S.F. Administrative Code Chapter 67) and the State Public Records Law (Gov't Code section 6250 et seq.) apply to this this Agreement and any and all records and materials submitted to the City in connection with this this Agreement.

Section 3.19 Entire Agreement; Time is of the Essence. This Agreement constitutes the entire agreement of the Parties regarding the proposed Ground Lease and Project. The Parties to this Agreement have read and reviewed this Agreement and agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party shall not apply to the interpretation of this Agreement (including but not limited to Civil Code Section 1654 as may be amended from time to time). Time is of the essence on all matters relating to this Agreement.

Section 3.20 Amendment. Any amendment or other modification of this Agreement must be in a written instrument executed by the City and the Developer that expresses the intent to amend or otherwise modify this Agreement.

Section 3.21 Counterparts. This Agreement may be executed in counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same agreement.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, the City and the Developer have caused this Agreement to be executed by their duly authorized representatives as of the Effective Date.

CITY:

APPROVED AS TO FORM:

CITY AND COUNTY OF SAN FRANCISCO,
a municipal corporation

Deputy City Attorney

By: _____
Name: Andrico Q. Penick
Title: Director of Property

CONCUR:

DEVELOPER:

By: THE KELSEY, INC., a
California non-profit public benefit
corporation

By: MERCY HOUSING CALIFORNIA, a
California non-profit public benefit
corporation

By: _____
Name: Micaela Connery
Its: Chief Executive Officer

By: _____
Name: Doug Shoemaker
Its: President

EXHIBIT A

LEGAL DESCRIPTION

THE LAND REFERRED TO HEREIN BELOW IS SITUATED IN THE CITY OF SAN FRANCISCO, IN THE COUNTY OF SAN FRANCISCO, STATE OF CALIFORNIA, AND IS DESCRIBED AS FOLLOWS:

TRACT ONE: COMMENCING AT A POINT ON THE SOUTHERLY LINE OF GROVE STREET, DISTANT THEREON 105 FEET EASTERLY FROM THE EASTERLY LINE OF VAN NESS AVENUE; RUNNING THENCE EASTERLY ALONG SAID LINE OF GROVE STREET 72 FEET 2-3/4 INCHES, MORE OR LESS, TO A POINT DISTANT THEREON 206 FEET 9-1/2 INCHES WESTERLY FROM THE WESTERLY LINE OF POLK STREET; THENCE AT A RIGHT ANGLE SOUTHERLY 120 FEET TO THE NORTHERLY LINE OF IVY STREET; THENCE AT A RIGHT ANGLE WESTERLY ALONG SAID LINE OF IVY STREET 68 FEET 2-3/4 INCHES, MORE OR LESS, TO A POINT DISTANT THEREON 109 FEET EASTERLY FROM THE EASTERLY LINE OF VAN NESS AVENUE; THENCE AT A RIGHT ANGLE NORTHERLY 75 FEET; THENCE AT A RIGHT ANGLE WESTERLY 4 FEET; THENCE AT A RIGHT ANGLE NORTHERLY 45 FEET TO A POINT OF COMMENCEMENT. BEING PART OF WESTERN ADDITION BLOCK NO. 68.

TRACT TWO: COMMENCING AT A POINT ON THE EASTERLY LINE OF VAN NESS AVENUE, DISTANT THEREON 45 FEET SOUTHERLY FROM THE SOUTHERLY LINE OF GROVE STREET; RUNNING THENCE SOUTHERLY ALONG SAID LINE OF VAN NESS AVENUE 50 FEET; THENCE AT A RIGHT ANGLE EASTERLY 109 FEET; THENCE AT A RIGHT ANGLE NORTHERLY 50 FEET; THENCE AT A RIGHT ANGLE WESTERLY 109 FEET TO THE POINT OF COMMENCEMENT. BEING A PORTION OF WESTERN ADDITION BLOCK NO. 68.

LOT 016, 019 & 021, BLOCK 0811

EXHIBIT B

Excerpts of Key Items from Developer's Response to RFQ/RFP and Conceptual Development Plan

The Kelsey Civic Center will be a vibrant, inclusive urban community that champions where people of all abilities and incomes thrive. A beacon of sustainability and resiliency, The Kelsey Civic Center will model carbon-neutral and resilient urban regeneration. The building will take cues from the City's heritage—cultural, civic, and architectural—while anticipating a more just and healthy future for our City and our planet. Located in the heart of San Francisco's Civic Center, the project is inspired by three deeply connected core values: inclusion, connection, and sustainability. Mercy Housing California, The Kelsey, WRNS Studio, and Common Coliving have built a multi-disciplinary community-based partnership to fund, design, build, and support this landmark housing project which includes 102 homes for San Franciscans of all abilities, incomes, and backgrounds.

The community at The Kelsey Civic Center is inclusive by design. *The Kelsey Civic Center goes well beyond the 33% affordability requirement to create a mixed income community for households earning 120% Area Median Income and below, that includes those who are fully reliant on public assistance, and people working minimum wage jobs, to the missing middle class who are priced out of market-rate housing but also left out of most affordable developments. Furthermore, people with disabilities will be included across all income levels and universal design principles will help ensure that the building is fully accessible. A ground-level commercial space will house a green business that employs people with disabilities. A community garden, pop-up commercial space and live-work units will support vocational training programs that offer people with disabilities the opportunity to learn skills and participate in the green economy.*

Residents will share and connect at The Kelsey Civic Center. *The development's coliving approach—small units, large common spaces, and an integrated public realm—will address the need for smart, dense, and sustainable growth in San Francisco. While each resident will enjoy private space within an efficiently-sized and well-designed living unit, all members will also have access to communal spaces for cooking, eating, relaxing, and connecting with neighbors. In addition to cost and rent savings, the coliving model minimizes resource waste and supports low embodied carbon design. Live-in Inclusion Concierges™ will program events and services for residents and the neighborhood that foster connection and community impact.*

The Kelsey Civic Center responds to C40's global call for carbon-neutral and resilient urban regeneration with a response that is uniquely San Francisco. *By addressing one of the most critical issues of our time—affordable housing—the project shows, in a way that is replicable, that the highest level of sustainable and resilient design is possible for everyone and in a way that is resonant to our citizens. We'll build an all-electric zero operational carbon building with on-site renewable energy and energy storage. Numerous integrated design strategies will help achieve the carbon-neutrality goal, including the use of materials like concrete and wood, structural*

materials like polished concrete that double as finish materials, and the coliving model. As a means of supporting biodiversity, urban re-vegetation and agriculture—and in place of the existing Please Touch Garden—The Kelsey Civic Center will offer a public garden located within the building's courtyard.

The Kelsey Civic Center won't just benefit our community; it will offer a new model of housing that makes evident the virtuous cycle between inclusion, connectedness, sustainability, and resiliency.